

Postville Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2011

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Postville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2010)

Brad Rekow	President	2013
Daniel Schutte	Board Member	2013
Laura Lubka	Board Member	2011
Jamie Smith	Board Member	2011
Jeff Cox	Board Member	2011

Board of Education

(After September 2010)

Jamie Smith	President	2011
Brad Rekow	Board Member	2013
Daniel Schutte	Board Member	2013
Laura Lubka	Board Member	2011
Jeff Cox	Board Member	2011

School Officials

Ottie Maxey	Superintendent	2011
Clara Lensing	District Secretary	2011
Mike Kruckenberg	District Treasurer	2011
Stephan Saunders	Attorney	2011

Independent Auditor's Report

To the Board of Education of
Postville Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Postville Community School District, Postville, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

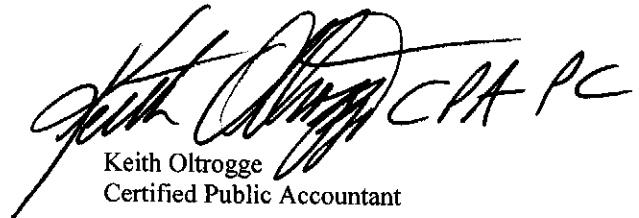
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Postville Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 1, 2012 on my consideration of Postville Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Postville Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules I through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

February 1, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Postville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,708,189 in fiscal 2010 to \$6,188,811 in fiscal 2011, and General Fund expenditures increased from \$5,880,263 in fiscal 2010 to \$6,072,338 in fiscal 2011. The District's General Fund balance increased from \$355,888 in fiscal year 2010 to \$432,818 in fiscal year 2011, an 18% increase.
- The increase in General Fund revenues was attributable to an increase in local sources and federal grants revenue in fiscal year 2011. The increase in expenditures was due primarily to an increase in instructional costs.
- The District's solvency ratio has decreased from -6.6% at June 30, 2010 to -9% at June 30, 2011. A District's solvency level indicates a District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations. The District's solvency ratio decrease was due to the increase in restricted net assets for categorical funding.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Postville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Postville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Postville Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Postville Community School District Annual Financial Report

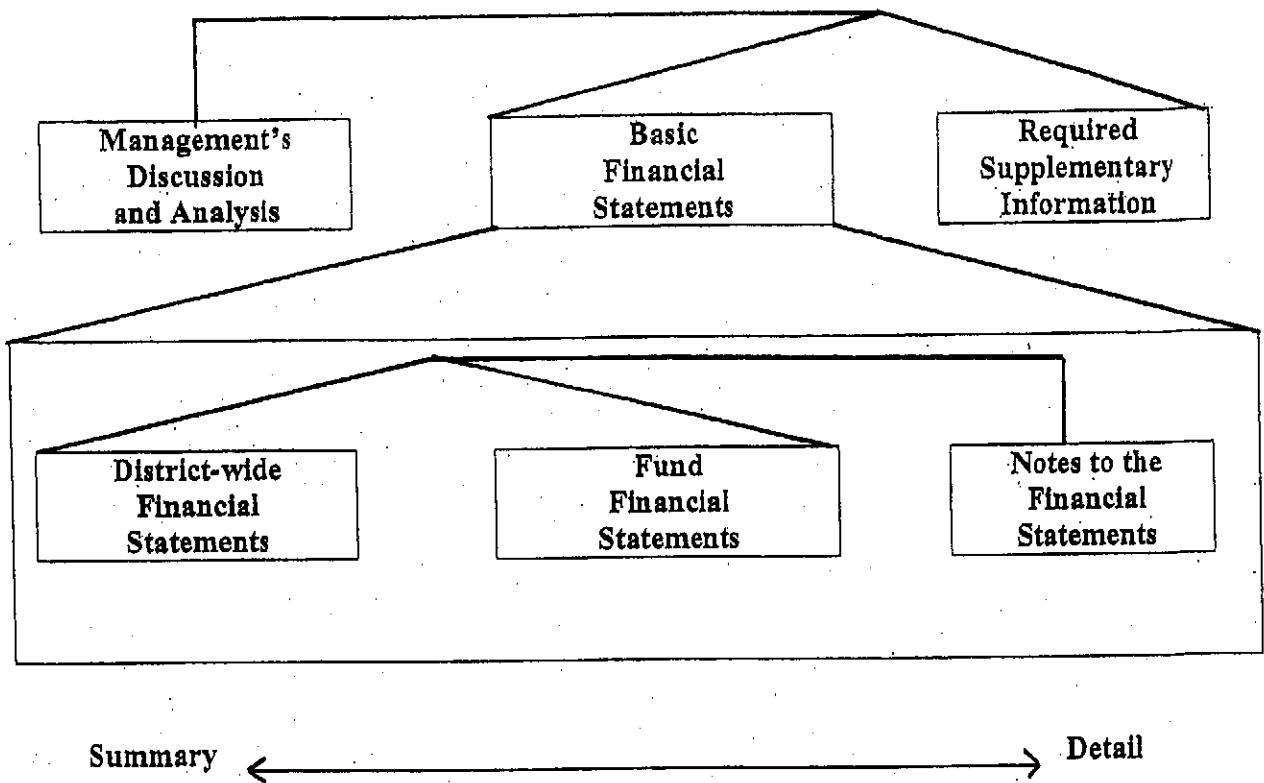


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Student Construction Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust and Agency Funds.

- Private Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.
- Agency Funds – These are funds through which the District administers and accounts for certain revenue collected for District activities and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$5,417,872	\$5,672,304	\$117,195	\$125,653	\$5,535,067	\$5,797,957	-4.5%
Capital assets	9,016,459	8,570,066	28,164	33,670	9,044,623	8,603,736	5.1%
Total assets	\$14,434,331	\$14,242,370	\$145,359	\$159,323	\$14,579,690	\$14,401,693	1.2%
Long-term liabilities	\$3,333,519	\$3,263,227	\$9,489	\$-	\$3,343,008	\$3,263,227	2.4%
Other liabilities	3,044,137	3,350,800	-	10,780	3,044,137	3,361,580	-9.5%
Total liabilities	\$6,377,656	\$6,614,027	\$9,489	\$10,780	\$6,387,145	\$6,624,807	-3.6%
Net assets:							
Invested in capital assets, net of related debt	\$6,118,105	\$5,412,319	\$28,164	\$33,670	\$6,146,269	\$5,445,989	12.9%
Restricted	2,521,603	2,226,999	-	-	2,521,603	2,226,999	13.2%
Unrestricted	-583,033	-10,975	107,706	114,873	-475,327	103,898	-82.1%
Total net assets	\$8,056,675	\$7,628,343	\$135,870	\$148,543	\$8,192,545	\$7,776,886	5.3%

The District's combined net assets increased by nearly 5.3%, or \$415,659, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$294,604 or 13.2% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$579,225, or 82.1%.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 Changes in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$238,776	\$259,987	\$86,327	\$96,656	\$325,103	\$356,643	-8.9%
Operating grants, contributions and restricted interest	1,665,604	1,559,868	284,342	258,661	1,949,946	1,818,529	7.2%
Capital grants, contributions and restricted interest	-	775,948	-	-	-	775,948	-100%
General revenues:							
Property tax	2,311,058	2,170,688	-	-	2,311,058	2,170,688	6.5%
Statewide sales, service ^s and use tax	436,316	404,848	-	-	436,316	404,848	7.8%
Unrestricted state grants	2,327,253	2,115,627	-	-	2,327,253	2,115,627	10.0%
Unrestricted investment earnings	61,230	82,511	513	745	61,743	83,256	-25.8%
Other	112,429	28,166	-	-	112,429	28,166	299.2%
Total revenues	\$7,152,666	\$7,397,643	\$371,182	\$356,062	\$7,523,848	\$7,753,705	-2.9%
Program expenses:							
Governmental activities:							
Instruction	\$4,520,937	\$4,461,808	\$-	\$-	\$4,520,937	\$4,461,808	1.3%
Support services	1,817,095	1,684,522	-	-	1,817,095	1,684,522	7.9%
Non-instructional programs	1,681	1,386	383,855	336,765	385,536	338,151	14.0%
Other expenses	345,078	215,527	-	-	345,078	215,527	60.1%
Total expenses	\$6,684,791	\$6,363,243	\$383,855	\$336,765	\$7,068,646	\$6,700,008	5.5%
Change in net assets	\$467,875	\$1,034,400	-\$12,673	\$19,297	\$455,202	\$1,053,697	-56.8%

In fiscal year 2011, property tax and unrestricted state grants accounted for 64.8% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.8% of business type activities revenue.

The District's total revenues were approximately \$7.5 million, of which approximately \$7.1 million was for governmental activities and less than \$0.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.9% decrease in revenues and a 5.5% increase in expenses. Property tax increased approximately \$140,000.

Governmental Activities

Revenues for governmental activities were \$7,152,666 and expenses were \$6,684,791 for the year ended June 30, 2011. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change	2011	2010	Change
Instruction	\$4,520,937	\$4,461,808	1.3%	\$2,630,166	\$2,663,098	-1.2%
Support services	1,817,095	1,684,522	7.8%	1,803,486	1,663,377	8.4%
Non-instructional programs	1,681	1,386	21.3%	1,681	1,386	21.3%
Other expenses	345,078	215,527	60.1%	345,078	-560,421	-61.6%
Totals	\$6,684,791	\$6,363,243	5.1%	\$4,780,411	\$3,767,440	29.3%

- The cost financed by users of the District's programs was \$325,103.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,949,946.
- The net cost of governmental activities was financed with \$2,747,374 in property and other taxes and \$2,327,253 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$371,182 and expenses were \$383,855. The District's business type activities include the School Nutrition Fund and Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Postville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$8,056,675, well above last year's ending fund balances of \$7,628,343.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the result of many factors. Growth during the year in tax and federal grants resulted in an increase in revenues. The increase in revenues was more than the increase in General Fund expenditures.
- The General Fund balance increased from \$355,888 to \$432,818 due, in part, to the increase in local taxes and state sources.
- Capital Projects Fund balance increased from \$376,692 to \$395,906.
- The Debt Service Fund adjusted balance increased from \$946,569 to \$1,056,616 due to operating transfers to reserve funds for the payment of debt.

BUDGETARY HIGHLIGHTS

The District's receipts were \$151,503 less than budgeted receipts, a variance of 4.8%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$9,044,623, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 5.1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$387,523.

The original cost of the District's capital assets was \$17,629,348. Governmental funds account for \$17,549,289, with the remainder of \$80,059 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$125,650 at June 30, 2011. This significant decrease resulted from the completion of Project Niches, the remodeling of the old gymnasium building.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$89,000	\$89,000	\$-	\$-	\$89,000	\$89,000	-
Construction in process	125,650	2,136,439	-	-	125,650	2,136,439	-94.2%
Buildings	8,052,903	5,767,258	-	-	8,052,903	5,767,258	39.6%
Improvements other than buildings	244,275	170,388	-	-	244,275	170,388	43.4%
Furniture and equipment	504,631	406,981	28,164	33,670	532,795	440,651	20.9%
Totals	\$9,016,459	\$8,570,066	\$28,164	\$33,670	\$9,044,623	\$8,603,736	5.1%

Long-Term Debt

At June 30, 2011, the District had \$2,898,354 in other long-term debt outstanding. This represents a decrease of 8.2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issued to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$12.6 million.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
Revenue bonds	\$1,805,000	\$1,975,000	-8.6%
Capital notes payable	1,093,354	1,182,747	-7.6%
Totals	\$2,898,354	\$3,157,747	-8.2%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances which could significantly affect its financial health in the future:

- Enrollment decline of 14 students from the prior year is a concern. A trend of declining enrollment could continue over the next few years.
- Allamakee County Treasurer has informed the District that the estimated amount of \$250,000 of the District's portion of uncollected property taxes owed by SHF Holding, SHF Industries, Friedman Education Foundation and Nevel Properties, remained uncollected as of August 2011.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Clara Lensing, District Secretary, Postville Community School District, P.O. Box 717, Postville IA 52162.

Basic Financial Statements

Postville Community School District

Exhibit A

Statement of Net Assets

June 30, 2011

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 2,587,626	\$ 85,985	\$ 2,673,611
Receivables:			
Property tax:			
Delinquent	48,337	-	48,337
Succeeding year	2,244,458	-	2,244,458
Accounts	9,151	93	9,244
Other	26,451	-	26,451
Accrued Interest:			
Escrow account	96,990	-	96,990
Due from other governments	404,859	11,125	415,984
Inventories	-	19,992	19,992
Capital assets, net of accumulated depreciation	9,016,459	28,164	9,044,623
Total Assets	\$ 14,434,331	\$ 145,359	\$ 14,579,690
Liabilities			
Excess warrants over bank balance	\$ 2,671	\$ -	\$ 2,671
Accounts payable	175,868	1,303	177,171
Intergovernmental payable	2,282	-	2,282
Salaries and benefits payable	543,736	4,673	548,409
Accrued interest payable	6,380	-	6,380
Deferred revenue-succeeding year property tax	2,244,458	-	2,244,458
Deferred revenue-other	358,124	3,513	361,637
Long-term liabilities:			
Portion due within one year:			
Revenue notes	130,000	-	130,000
Capital notes payable	93,354	-	93,354
Early retirement	19,451	-	19,451
Portion due after one year:			
Revenue notes	1,675,000	-	1,675,000
Capital notes payable	1,000,000	-	1,000,000
Early retirement	2,260	-	2,260
Net OPEB liability	124,072	-	124,072
Total Liabilities	\$ 6,377,656	\$ 9,489	\$ 6,387,145
Net Assets			
Invested in capital assets, net of related debt	\$ 6,118,105	\$ 28,164	\$ 6,146,269
Restricted for:			
Categorical funding	982,389	-	982,389
Management levy purposes	3,405	-	3,405
Physical plant and equipment	44,570	-	44,570
Student activities	14,937	-	14,937
Debt service	1,056,616	-	1,056,616
Capital projects	419,686	-	419,686
Unrestricted	-583,033	107,706	-475,327
Total Net Assets	\$ 8,056,675	\$ 135,870	\$ 8,192,545

See notes to financial statements.

Postville Community School District

Statement of Activities

Year Ended June 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,579,793	\$ 84,301	\$ 1,045,512	\$ -
Special instruction	605,346	14,849	611,695	-
Other instruction	1,335,798	130,909	3,505	-
	<u>\$ 4,520,937</u>	<u>\$ 230,059</u>	<u>\$ 1,660,712</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 251,485	\$ -	\$ 3,392	\$ -
Instructional staff services	162,524	-	-	-
Administration services	656,538	-	1,500	-
Operation and maintenance of plant services	541,944	3,063	-	-
Transportation services	204,604	5,654	-	-
	<u>\$ 1,817,095</u>	<u>\$ 8,717</u>	<u>\$ 4,892</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ 1,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Long-term debt interest	\$ 92,070	\$ -	\$ -	\$ -
AEA flow-through	253,008	-	-	-
	<u>\$ 345,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 6,684,791</u>	<u>\$ 238,776</u>	<u>\$ 1,665,604</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 383,855	\$ 86,327	\$ 284,342	\$ -
Total	<u>\$ 7,068,646</u>	<u>\$ 325,103</u>	<u>\$ 1,949,946</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,449,980	\$	-	\$ -1,449,980
	21,198		-	21,198
	-1,201,384		-	-1,201,384
\$	-2,630,166	\$	-	\$ -2,630,166
<hr/>				
\$	-248,093	\$	-	\$ -248,093
	-162,524		-	-162,524
	-655,038		-	-655,038
	-538,881		-	-538,881
	-198,950		-	-198,950
\$	-1,803,486	\$	-	\$ -1,803,486
<hr/>				
\$	-1,681	\$	-	\$ -1,681
<hr/>				
\$	-92,070	\$	-	\$ -92,070
	-253,008		-	-253,008
\$	-345,078	\$	-	\$ -345,078
<hr/>				
\$	-4,780,411	\$	-	\$ -4,780,411
<hr/>				
\$	-	\$	-13,186	\$ -13,186
<hr/>				
\$	-4,780,411	\$	-13,186	\$ -4,793,597

Postville Community School District

Statement of Activities

Year Ended June 30, 2011

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

General Revenues:

Property Tax Levied For:

General purposes

Capital outlay

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total General Revenues

Change in net assets before sales and transfers

Sale of assets

Change in net assets

Net assets beginning of year

Prior Period Adjustment

Adjusted Net Asset beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities	Total
\$	2,047,307	\$ -	\$ 2,047,307
	263,751	-	263,751
	436,316	-	436,316
	2,327,253	-	2,327,253
	61,230	513	61,743
	112,429	-	112,429
\$	5,248,286	\$ 513	\$ 5,248,799
\$	467,875	\$ -12,673	\$ 455,202
	4,802	-	4,802
\$	472,677	\$ -12,673	\$ 460,004
\$	7,628,343	\$ 148,543	\$ 7,776,886
	-44,345	-	-44,345
\$	7,583,998	\$ 148,543	\$ 7,732,541
\$	8,056,675	\$ 135,870	\$ 8,192,545

Postville Community School District

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Debt Service	Non- Major Funds	Total
Assets					
Cash and Pooled Investments	\$ 1,015,654	\$ 475,872	\$ 1,056,616	\$ 39,484	\$ 2,587,626
Receivables:					
Property Tax:					
Delinquent	42,183	5,491	-	663	48,337
Succeeding year	1,888,002	255,956	-	100,500	2,244,458
Accounts	8,865	-	-	286	9,151
Other receivables	-	26,451	-	-	26,451
Due from other governments	370,184	34,675	-	-	404,859
Total Assets	\$ 3,324,888	\$ 798,445	\$ 1,056,616	\$ 140,933	\$ 5,320,882
Liabilities & Fund Balances					
Liabilities:					
Excess warrant over bank balance	\$ -	\$ 2,671	\$ -	\$ -	\$ 2,671
Intergovernmental payable	2,282	-	-	-	2,282
Accounts payable	114,973	60,515	-	380	175,868
Salaries and benefits payable	543,736	-	-	-	543,736
Deferred Revenue:					
Succeeding year property tax	1,888,002	255,956	-	100,500	2,244,458
Other	343,077	15,047	-	-	358,124
Total Liabilities	\$ 2,892,070	\$ 334,189	\$ -	\$ 100,880	\$ 3,327,139
Fund Balances:					
Restricted for:					
Categorical funding	\$ 982,389	\$ -	\$ -	\$ -	\$ 982,389
Debt service	-	-	1,056,616	-	1,056,616
Management levy purposes	-	-	-	25,116	25,116
Student activities	-	-	-	14,937	14,937
School infrastructure	-	419,686	-	-	419,686
Physical plant and equipment	-	44,570	-	-	44,570
Unassigned	-549,571	-	-	-	-549,571
Total Fund Balances	\$ 432,818	\$ 464,256	\$ 1,056,616	\$ 40,053	\$ 1,993,743
Total Liabilities & Fund Balances	\$ 3,324,888	\$ 798,445	\$ 1,056,616	\$ 140,933	\$ 5,320,882

See notes to financial statements.

Postville Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (page 16)	\$ 1,993,743
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	9,016,459
Accrued interest receivable on long-term liabilities is not receivable in the current period and, therefore, is not reported as an asset in the governmental funds	96,990
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-6,380
Long-term liabilities, including capital notes payable, early retirement, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the funds	<u>-3,044,137</u>
Net assets of governmental activities (page 13)	<u>\$ 8,056,675</u>

See notes to financial statements.

Postville Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2011

	General	Capital Projects	Debt Service	Non- Major Funds	Total
Revenues:					
Local Sources:					
Local tax	\$ 2,017,539	\$ 700,067	\$ -	\$ 29,768	\$ 2,747,374
Tuition	95,741	-	-	-	95,741
Other	82,796	51,114	22,527	137,963	294,400
Intermediate sources	-	-	-	-	-
State sources	3,076,217	109	-	14	3,076,340
Federal sources	916,518	-	-	-	916,518
Total Revenues	\$ 6,188,811	\$ 751,290	\$ 22,527	\$ 167,745	\$ 7,130,373
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,277,940	\$ -	\$ -	\$ 53,666	\$ 2,331,606
Special instruction	643,509	-	-	-	643,509
Other instruction	1,177,879	-	-	131,178	1,309,057
	\$ 4,099,328	\$ -	\$ -	\$ 184,844	\$ 4,284,172
Support Services:					
Student services	\$ 249,180	\$ -	\$ -	\$ 2,305	\$ 251,485
Instructional staff services	159,191	-	-	1,132	160,323
Administration services	649,742	-	-	8,533	658,275
Operation and maintenance of plant services	505,195	13,585	-	39,372	558,152
Transportation services	156,694	100,395	-	11,641	268,730
	\$ 1,720,002	\$ 113,980	\$ -	\$ 62,983	\$ 1,896,965
Non-instructional	\$ -	\$ -	\$ -	\$ 1,681	\$ 1,681
Other Expenditures:					
Facilities acquisition	\$ -	\$ 562,985	\$ -	\$ -	\$ 562,985
Long-Term Debt:					
Principal	-	-	259,393	-	259,393
Interest and fiscal charges	-	-	93,752	-	93,752
AEA flow-through	253,008	-	-	-	253,008
	\$ 253,008	\$ 562,985	\$ 353,145	\$ -	\$ 1,169,138
Total Expenditures	\$ 6,072,338	\$ 676,965	\$ 353,145	\$ 249,508	\$ 7,351,956
Excess (deficiency) of revenues over (under) expenditures	\$ 116,473	\$ 74,325	\$ -330,618	\$ -81,763	\$ -221,583
Other Financing Sources (Uses):					
Operating transfers in	\$ -	\$ -	\$ 440,665	\$ -	\$ 440,665
Operating transfers out	-	-440,665	-	-	-440,665
Sale of equipment	4,802	-	-	-	4,802
Total Other Financing Sources (Uses)	\$ 4,802	\$ -440,665	\$ 440,665	\$ -	\$ 4,802

Postville Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2011

	General	Capital Projects	Debt Services	Non- Major Funds	Total
Net change in fund balances	\$ 121,275	\$ -366,340	\$ 110,047	\$ -81,763	\$ -216,781
Fund balances beginning of year, as restated	355,888	830,596	946,569	121,816	2,254,869
Prior period adjustment	-44,345	-	-	-	-44,345
Adjusted beginning fund balance, as restated	\$ 311,543	\$ 830,596	\$ 946,569	\$ 121,816	\$ 2,210,524
Fund Balances End of Year	\$ 432,818	\$ 464,256	\$ 1,056,616	\$ 40,053	\$ 1,993,743

See notes to financial statements.

Postville Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2011

Net change in fund balances – total governmental funds (page 19) **\$ -216,781**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 827,332	
Depreciation expense	<u>-380,939</u>	446,393

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments, as follows

Repaid		259,393
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,682

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 21,187	
Other postemployment benefits	<u>-61,490</u>	-40,303

Interest on long-term debt escrow account in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as a revenue in the fund when received. In the Statement of Activities, interest revenue is recognized as interest receivable, regardless of when it is received

22,293

Change in Net Assets of Governmental Activities (page 15)	\$	<u>472,677</u>
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Postville Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2011

	School Nutrition	Student Construction	Total
Assets			
Cash and cash equivalents	\$ 85,924	\$ 61	\$ 85,985
Accounts receivable	93	-	93
Due from other governments	11,125	-	11,125
Inventories	19,992	-	19,992
Capital assets, net of accumulated depreciation	28,164	-	28,164
Total Assets	\$ 145,298	\$ 61	\$ 145,359
Liabilities			
Accounts payable	\$ 1,303	\$ -	\$ 1,303
Salaries and benefits payable	4,673	-	4,673
Deferred revenue	3,513	-	3,513
Total Liabilities	\$ 9,489	\$ -	\$ 9,489
Net Assets			
Invested in capital assets, net of related debt	\$ 28,164	\$ -	\$ 28,164
Unrestricted	107,645	61	107,706
Total Net Assets	\$ 135,809	\$ 61	\$ 135,870

See notes to financial statements.

Postville Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year Ended June 30, 2011

	School Nutrition	Student Construction	Total
Operating revenues:			
Local sources:			
Charges for service/product	\$ 86,327	\$ -	\$ 86,327
Non-instructional programs:			
Food service operations:			
Salaries	\$ 139,260	\$ -	\$ 139,260
Benefits	47,520	-	47,520
Purchased services	9,251	-	9,251
Supplies	181,240	-	181,240
Depreciation	6,584	-	6,584
Total non-instruction programs	\$ 383,855	\$ -	\$ 383,855
Operating income (loss)	\$ -297,528	\$ -	\$ -297,528
Non-operating revenues:			
State sources	\$ 2,939	\$ -	\$ 2,939
Federal sources	281,403	-	281,403
Interest income	513	-	513
Total non-operating revenues	\$ 284,855	\$ -	\$ 284,855
Change in net assets	\$ -12,673	\$ -	\$ -12,673
Net assets beginning of year	148,482	61	148,543
Net Assets End of Year	\$ 135,809	\$ 61	\$ 135,870

See notes to financial statements.

Postville Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 85,773
Cash paid to employees for services	-188,581
Cash paid to suppliers for goods or services	-165,259
Net cash provided (used) by operating activities	<u>\$ -268,067</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,940
Federal grants received	254,463
Net cash provided by non-capital financing activities	<u>\$ 257,403</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 513</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -1,078</u>
Net decrease in cash and cash equivalents	\$ -11,229
Cash and cash equivalents beginning of year	<u>97,153</u>
Cash and Cash Equivalents End of Year	<u>\$ 85,924</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating (loss) income	\$ -297,528
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	22,925
Depreciation	6,584
Decrease in inventories	1,317
(Increase) in accounts receivable	-74
(Decrease) in accounts payable	-1,081
Increase in salaries and benefits payable	344
(Decrease) in deferred revenue	<u>-554</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -268,067</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$22,925 of federal commodities.

See notes to financial statements.

Postville Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trust	
	Scholarships	Agency
Assets		
Cash and pooled investments	\$ 24,532	\$ 12,410
Accounts receivable	-	93
Total Assets	\$ 24,532	\$ 12,503
Liabilities		
Accounts payable	\$ -	\$ 12,503
Net assets		
Reserved for scholarships	\$ 24,532	-

See notes to financial statements.

Postville Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2011

	Private Purpose Trust Scholarships
Additions:	
Local sources:	
Interest income	\$ 343
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	\$ 930
Change in net assets	\$ -587
Net assets beginning of year	25,119
Net Assets End of Year	\$ 24,532

See notes to financial statements.

Postville Community School District

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Postville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Postville, Iowa and portions of the predominately agricultural territories in Allamakee, Clayton, Fayette and Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Postville Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Postville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects – Physical Plant and Equipment Levy	\$ 164,364
Debt Service	Capital Projects – Statewide sales, services, and use tax	276,301
Total		<u>\$ 440,665</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 89,000	\$ -	\$ -	\$ 89,000
Construction in process	2,136,439	125,650	2,136,439	125,650
Total capital assets not being depreciated	<u>\$ 2,225,439</u>	<u>\$ 125,650</u>	<u>\$ 2,136,439</u>	<u>\$ 214,650</u>
Capital assets being depreciated:				
Buildings	\$ 10,732,836	\$ 2,499,285	\$ -	\$ 13,232,121
Improvements other than buildings	482,950	89,717	-	572,667
Furniture and equipment	3,495,382	249,119	-	3,744,501
Total capital assets being depreciated	<u>\$ 14,711,168</u>	<u>\$ 2,838,121</u>	<u>\$ -</u>	<u>\$ 17,549,289</u>
Less accumulated depreciation for:				
Buildings	\$ 4,965,578	\$ 213,640	\$ -	\$ 5,179,218
Improvements other than buildings	312,562	15,830	-	328,392
Furniture and equipment	3,088,401	151,469	-	3,239,870
Total accumulated depreciation	<u>\$ 8,366,541</u>	<u>\$ 380,939</u>	<u>\$ -</u>	<u>\$ 8,747,480</u>
Total capital assets being depreciated, net	<u>\$ 6,344,627</u>	<u>\$ 2,457,182</u>	<u>\$ -</u>	<u>\$ 8,801,809</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,570,066</u>	<u>\$ 2,582,832</u>	<u>\$ 2,136,439</u>	<u>\$ 9,016,459</u>

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 78,981	\$ 1,078	\$ -	\$ 80,059
Less accumulated depreciation	45,311	6,584	-	51,895
Business Type Activities Capital Assets, Net	<u>\$ 33,670</u>	<u>\$ -5,506</u>	<u>\$ -</u>	<u>\$ 28,164</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 291,804
Special	17,593
Other	28,837

Support services:

Instructional staff	2,201
Administration	581
Operation and maintenance of plant	3,654
Transportation	36,269

Total Depreciation Expense – Governmental Activities \$ 380,939

Business Type Activities:

Food service operations	<u>\$ 6,584</u>
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(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Revenue bonds	\$ 1,975,000	\$ -	\$ 170,000	\$ 1,805,000	\$ 130,000
Capital notes payable	1,182,747	-	89,393	1,093,354	93,354
Early retirement	42,898	-	21,187	21,711	19,451
Net OPEB liability	62,582	61,490	-	124,072	-
Total	\$ 3,263,227	\$ 61,490	\$ 280,580	\$ 3,044,137	\$ 242,805

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement expenditures for the year ended June 30, 2011 totaled \$21,187.

QZAB Capital Loan

The QZAB Capital Loan is a federal program in which the District borrowed \$1,000,000. It is due in ten years with one lump payment with a 0% interest rate. The District is required to deposit \$87,749 per year into an escrow account, which will earn 2.85% interest on the funds to be used for the repayment of the loan. Details of the escrow account are as follows:

Year Ending June 30,	QZAB Capital Loan Escrow Issued April 15, 2002		
	Principal	Interest Earned	Total Escrow Account
2003	\$ 87,749	\$ -	\$ 87,749
2004	87,749	2,519	90,268
2005	87,749	5,110	92,859
2006	87,749	7,818	95,567
2007	87,749	10,488	98,237
2008	87,749	13,301	101,050
2009	87,749	16,238	103,987
2010	87,749	19,223	106,972
2011	87,749	22,293	110,042
Total	\$ 789,741	\$ 96,990	\$ 886,731

Capital Loan Notes

Details of the District's June 30, 2011 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital Loan – PPEL Issued May 1, 2002			
	Interest Rates	Principal	Interest	Total
2012	4.3%	\$ 75,000	\$ 3,225	\$ 78,225

Year Ending June 30,	Interest Rates	Capital Loan – PPEL Issued June 6, 2009		
		Principal	Interest	Total
2012	5.5%	\$ 18,354	\$ 1,005	\$ 19,359

Revenue Bonds

Details of the District's June 30, 2011 statewide services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issued September 1, 2002		
		Principal	Interest	Total
2012	4.35%	\$ 130,000	\$ 5,656	135,656

Year Ending June 30,	Interest Rates	Issued July 1, 2009		
		Principal	Interest	Total
2012	3.0%	\$ -	\$ 70,450	\$ 70,450
2013	3.0%	75,000	70,450	145,450
2014	3.6%	100,000	68,200	168,200
2015	3.6%	100,000	64,600	164,600
2016	3.6%	100,000	61,000	161,000
2017	3.6%	100,000	57,400	157,400
2018	4.0%	100,000	53,800	153,800
2019	4.0%	100,000	49,800	149,800
2020	4.2%	100,000	45,800	145,800
2021	4.2%	100,000	41,600	141,600
2022	4.4%	100,000	37,400	137,400
2023	4.4%	100,000	33,000	133,000
2024	4.6%	100,000	28,600	128,600
2025	4.6%	100,000	24,000	124,000
2026	4.8%	100,000	19,400	119,400
2027	4.8%	100,000	14,600	114,600
2028	4.9%	100,000	9,800	109,800
2029	4.9%	100,000	4,900	104,900
Total		\$ 1,675,000	\$ 754,800	\$ 2,429,800

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,675,000 of bonds issued in July 2009. The bonds were issued for the purpose of financing a portion of the costs of the Niches Project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 12 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,429,800. For the current year, no principal and \$70,450 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$436,316.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$161,130 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

During the year ended June 30, 2011, the District made principal, interest and fees payments totaling \$353,145 under the agreements.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$250,209, \$234,066, and \$215,427, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District is a member of a ten school trust – (NEISIT) Northeast Iowa Schools Insurance Trust. Each school provided active and retired employee information. The plan provides medical benefits to retirees and their spouses. The District had 66 active and 6 retired members in the plan. Participants must be 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	44,659
Interest on net OPEB obligation		2,292
Adjustment to annual required contribution		-5,622
Annual OPEB cost	\$	41,329
Contributions made		-8,930
Increase in net OPEB obligation	\$	32,399
Net OPEB obligation beginning of year		91,673
Net OPEB obligation end of year	\$	124,072

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$565,099 to the medical plan. Plan members eligible for benefits contributed \$45,612 of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$33,778	0%	\$62,582
June 30, 2011	\$41,329	0%	\$124,072

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011 and continuing through June 30, 2011, the actuarial accrued liability was \$271,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$271,000. The covered payroll (annual payroll of active employees covered by the plan) was \$2,713,058, and the ratio of the UAAL to covered payroll was 10%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$339.70 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Postville Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$253,008 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitments

The District had entered into a contract totaling \$157,900 for a roof project. As of June 30, 2011, \$125,600 was in construction in process. The balance of \$32,250 will be paid as work on the project is completed after June 30, 2011.

(11) Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Limited English Proficiency	\$ 181,706
Home School Assistance	290,404
Gifted and Talented Programs	8,456
Dropout Prevention	363,768
Beginning Teacher Mentoring	4,920
Teacher Salary Supplement	44,075
At Risk	16,364
Core Curriculum	21,523
Professional Development	11,799
Preschool	18,623
Iowa Early Intervention	160
Before and After School	20,591
Total	<u>\$ 982,389</u>

(12) Subsequent Events

The District has evaluated subsequent events through February 1, 2012 which is the date that the financial statements were available to be issued.

(13) Prior Period Adjustment

The District had a General Fund adjustment of -\$44,345 to correct June 30, 2010 Accounts Payable.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 758,996	\$ 71,600
Change in fund type classification per implementation of GASB Statement No. 54	71,600	-71,600
Balances July 1, 2010, as restated	\$ 830,596	\$ -

Required Supplementary Information

Postville Community School District

**Budgetary Comparison Schedule of Revenue, Expenditures/Expense and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 3,137,515	\$ 86,840
Intermediate sources	-	-
State sources	3,076,340	2,939
Federal sources	916,518	281,403
Total Receipts	\$ 7,130,373	\$ 371,182
Disbursements:		
Instruction	\$ 4,284,172	\$ -
Support services	1,896,965	-
Non-instructional programs	1,681	383,855
Other expenditures	1,169,138	-
Total Disbursements	\$ 7,351,956	\$ 383,855
Excess (deficiency) of receipts over (under) disbursements	\$ -221,583	\$ -12,673
Other financing sources, net	4,802	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -216,781	\$ -12,673
Balances beginning of year	2,254,869	148,543
Prior period adjustment	\$ -44,345	\$ -
Adjusted beginning fund balance	2,210,524	148,543
Balance end of year	\$ 1,993,743	\$ 135,870

See accompanying independent auditor's report.

	Total Actual		Budgeted Amounts Original		Final to Actual
\$	3,224,355	\$	3,388,074	\$	-163,719
	-		-		-
	3,079,279		3,424,984		-345,705
	1,197,921		840,000		357,921
\$	7,501,555	\$	7,653,058	\$	-151,503
\$	4,284,172	\$	4,770,657	\$	486,485
	1,896,965		2,403,376		506,411
	385,536		483,840		98,304
	1,169,138		1,087,591		-81,547
\$	7,735,811	\$	8,745,464	\$	1,009,653
\$	-234,256	\$	-1,092,406	\$	858,150
	4,802		3,250		1,552
\$	-229,454	\$	-1,089,156	\$	859,702
	2,403,412		1,431,062		972,350
\$	-44,345	\$	-	\$	-44,345
	2,359,067		1,431,062		928,005
\$	2,129,613	\$	341,906	\$	1,787,707

Postville Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

Postville Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ©	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$437	\$437	0.0%	\$2,915	14.9%
2010	July 1, 2008	-	\$427	\$427	0.0%	\$2,676	15.9%
2011	July 1, 2010	-	\$271	\$271	0.0%	\$2,713	10.0%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

Postville Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2011

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 24,453	\$ 15,031	\$ 39,484
Receivables:			
Property Tax:			
Delinquent	663	-	663
Succeeding year	100,500	-	100,500
Accounts	-	286	286
Total Assets	\$ 125,616	\$ 15,317	\$ 140,933
Liabilities & Fund Equity			
Liabilities:			
Accounts payable	\$ -	\$ 380	\$ 380
Deferred revenue:			
Succeeding year property tax	100,500	-	100,500
Total Liabilities	\$ 100,500	\$ 380	\$ 100,880
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 25,116	\$ -	\$ 25,116
Student activities	-	14,937	14,937
Total fund balances	\$ 25,116	\$ 14,937	\$ 40,053
Total Liabilities & Fund Equity	\$ 125,616	\$ 15,317	\$ 140,933

See accompanying independent auditor's report.

Postville Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds

Year Ended June 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local Sources:			
Local tax	\$ 29,768	\$ -	\$ 29,768
Other	9,281	128,682	137,963
State sources	14	-	14
Total Revenues	<u>\$ 39,063</u>	<u>\$ 128,682</u>	<u>\$ 167,745</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 53,666	\$ -	\$ 53,666
Other instruction	-	131,178	131,178
Support Services:			
Student support services	2,305	-	2,305
Instructional staff services	1,132	-	1,132
Administration services	8,533	-	8,533
Operation and maintenance of plant services	39,372	-	39,372
Transportation services	11,641	-	11,641
Non-instructional programs	1,681	-	1,681
Total Expenditures	<u>\$ 118,330</u>	<u>\$ 131,178</u>	<u>\$ 249,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -79,267</u>	<u>\$ -2,496</u>	<u>\$ -81,763</u>
Fund balances beginning of year, as restated	<u>\$ 104,383</u>	<u>\$ 17,433</u>	<u>\$ 121,816</u>
Fund Balances End of Year	<u>\$ 25,116</u>	<u>\$ 14,937</u>	<u>\$ 40,053</u>

See accompanying independent auditor's report.

Postville Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Funds	Total
Assets				
Cash and pooled investments	\$ 436,793	\$ 39,079	\$ -	\$ 475,872
Receivables:				
Property Tax:				
Delinquent	-	5,491	-	5,491
Succeeding year	-	255,956	-	255,956
Due from other governments	19,628	15,047	-	34,675
Other receivables	-	-	26,451	26,451
Total Assets	\$ 456,421	\$ 315,573	\$ 26,451	\$ 798,445
Liabilities & Fund Equity				
Liabilities:				
Excess warrants over bank balance	\$ -	\$ -	\$ 2,671	\$ 2,671
Accounts payable	60,515	-	-	60,515
Due to other funds	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	255,956	-	255,956
Other	-	15,047	-	15,047
Total Liabilities	\$ 60,515	\$ 271,003	\$ 2,671	\$ 334,189
Fund Balances:				
Restricted for:				
School infrastructure	\$ 395,906	\$ -	\$ 23,780	\$ 419,686
Physical plant and equipment	-	44,570	-	44,570
Total fund balances	\$ 395,906	\$ 44,570	\$ 23,780	\$ 464,256
Total Liabilities and Fund Balances	\$ 456,421	\$ 315,573	\$ 26,451	\$ 798,445

See accompanying independent auditor's report.

Postville Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts**

Year Ended June 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Project Funds	Total
Revenues:				
Local Sources:				
Local tax	\$ 436,316	\$ 263,751	\$ -	\$ 700,067
Other	2,186	16,381	32,547	51,114
State sources	-	109	-	109
Total Revenues	\$ 438,502	\$ 280,241	\$ 32,547	\$ 751,290
Expenditures:				
Support Services:				
Operation and maintenance of plant services	\$ -	\$ 13,585	\$ -	\$ 13,585
Transportation service	78,700	21,695	-	100,395
Other Expenditures:				
Facilities acquisition	64,287	107,627	391,071	562,985
Total Expenditures	\$ 142,987	\$ 142,907	\$ 391,071	\$ 676,965
Excess (deficiency) of revenues over (under) expenditures	\$ 295,515	\$ 137,334	\$ -358,524	\$ 74,325
Other Financing Sources (Uses):				
Operating transfers in (out)	\$ -276,301	\$ -164,364	\$ -	\$ -440,665
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 19,214	\$ -27,030	\$ -358,524	\$ -366,340
Fund balances beginning of year, as restated	376,692	71,600	382,304	830,596
Fund Balances End of Year	\$ 395,906	\$ 44,570	\$ 23,780	\$ 464,256

See accompanying independent auditor's report.

Postville Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2011

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures and Inter-fund Transfers	Intra- Fund Transfers	Balance End of Year
Drama	\$ 411	\$ 4,184	\$ 2,071	\$ -926	\$ 1,598
Vocal music	-	-	-	-	-
High School golf	-	6	832	832	6
High School boys basketball	-	3,409	2,840	-569	-
High School boys football	-	17,250	19,647	2,397	-
High School baseball	-59	242	2,562	2,379	-
High School boys track	-	1,021	1,664	643	-
High School wrestling	-	1,536	1,236	-300	-
High School girls basketball	-	2,798	2,391	-407	-
High School volleyball	-	3,081	2,789	-292	-
High School softball	-	1,189	987	74	276
High School girls track	-	1,346	1,332	-14	-
Class of 2013	-	500	-	-	500
Class of 2012	-	15,879	11,727	-20	4,132
Class of 2011	1,974	9,513	9,972	-14	1,501
High School student council	187	2,906	2,122	-	971
FCCLA	1,934	2,785	2,842	-	1,877
Peer Helpers	3,499	34	3,513	-	20
Mirror	4,022	6,395	10,234	-	183
Cheerleaders	765	1,213	1,181	-	797
National Honor Society	-	-	288	288	-
Magazines	-	10,425	7,784	-2,641	-
Elementary student council	129	4,281	1,246	-2,236	928
Interest account	-	224	122	-	102
Resale athletics	-	6,253	5,699	-554	-
Resale band	1,121	442	305	-	1,258
Resale Home Economics	-	-	-	-	-
FFA	3,391	23,206	25,915	34	716
High School boys soccer	-	369	1,983	1,614	-
Girls cross country	-	-	279	279	-
Athletics	59	8,009	4,838	-3,158	72
Middle School boys basketball	-	-	503	503	-
Middle School football	-	-	475	475	-
Middle School boys track	-	136	240	104	-
Middle School wrestling	-	-	220	220	-
Middle School girls basketball	-	-	664	664	-
Middle School volleyball	-	-	500	500	-
Middle School girls track	-	50	175	125	-
Total	\$ 17,433	\$ 128,682	\$ 131,178	\$ -	\$ 14,937

See accompanying independent auditor's report.

Postville Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Funds – Summary

Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 9,902	\$ 74,224	\$ 71,716	\$ 12,410
Accounts receivable	232	93	232	93
Total Assets	\$ 10,134	\$ 74,317	\$ 71,948	\$ 12,503
Liabilities				
Accounts payable	\$ 10,134	\$ 74,317	\$ 71,948	\$ 12,503
Total Liabilities	\$ 10,134	\$ 74,317	\$ 71,948	\$ 12,503

See accompanying independent auditor's report.

Postville Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Funds – Detail

Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Transfers	Balance End of Year
Music events	\$ 29	\$ 3,420	\$ 3,428	\$ -	\$ 21
Band boosters	772	1,239	137	-	1,874
Athletic events	7	9,469	9,471	-	5
Climate committee	681	606	726	-	561
Retiree insurance	3,636	51,344	51,975	-	3,005
Bell fund	2,262	-	-	-	2,262
Outdoor bulletin	1,869	-	-	-	1,869
Production class	1	-	-	-	1
Spanish Club	877	5,152	3,401	-	2,628
Music event	-	277	-	-	277
Upper Iowa Conference	-	2,810	2,810	-	-
Total	\$ 10,134	\$ 74,317	\$ 71,948	\$ -	\$ 12,503

See accompanying independent auditor's report.

Postville Community School District

Statement of Fiduciary Net Assets
Private Purpose Trusts

June 30, 2011

	Knutson Scholarship	Harnack Scholarship	Capper Scholarship	Total
Assets				
Cash	\$ 13,567	\$ 10,338	\$ 627	\$ 24,532
Total Assets	<u>\$ 13,567</u>	<u>\$ 10,338</u>	<u>\$ 627</u>	<u>\$ 24,532</u>
Liabilities and Fund Equity				
Liabilities	\$ -	\$ -	\$ -	\$ -
Net Assets				
Reserved for Scholarships	<u>13,567</u>	<u>10,338</u>	<u>627</u>	<u>24,532</u>
Total Liabilities and Fund Equity	<u>\$ 13,567</u>	<u>\$ 10,338</u>	<u>\$ 627</u>	<u>\$ 24,532</u>

See accompanying independent auditor's report.

Postville Community School District
Statement of Change in Fiduciary Net Assets
Private Purpose Trusts

Year Ended June 30, 2011

	Knutson Scholarship	Harnack Scholarship	Capper Scholarship	Total
Revenues:				
Local Sources:				
Interest from non-expendable trust fund investments	\$ 3	\$ 213	\$ 127	\$ 343
Expenditures:				
Instruction:				
Regular Instruction: Scholarships	350	266	314	930
Excess (deficiency) of revenues over (under) expenditures	\$ -347	\$ -53	\$ -187	\$ -587
Net Assets, beginning of year	13,914	10,391	814	25,119
Net Assets, End of Year	\$ 13,567	\$ 10,338	\$ 627	\$ 24,532

See accompanying independent auditor's report.

Postville Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Eight Years

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Local Sources:				
Local tax	\$ 2,747,374	\$ 2,576,536	\$ 2,350,617	\$ 2,322,407
Tuition	95,741	102,964	88,840	87,343
Other	294,400	248,477	298,821	263,029
Intermediate sources	-	-	-	-
State sources	3,076,340	3,555,051	3,292,417	3,428,842
Federal sources	916,518	896,392	556,900	440,658
Total	\$ 7,130,373	\$ 7,379,420	\$ 6,587,595	\$ 6,542,279
Expenditures:				
Instruction:				
Regular instruction	\$ 2,331,606	\$ 2,542,918	\$ 2,225,896	\$ 2,169,542
Special instruction	643,509	812,871	580,703	608,506
Other instruction	1,309,057	874,474	1,090,093	969,838
Support services:				
Student services	251,485	219,731	219,095	211,933
Instructional staff services	160,323	147,346	174,991	181,102
Administrative services	658,275	593,482	580,954	628,033
Operation and maintenance of plant services	558,152	547,806	537,891	558,463
Transportation services	268,730	156,599	212,470	241,865
Community services	-	-	-	-
Non-instructional programs	1,681	1,386	1,151	1,160
Other expenditures:				
Facilities acquisition	562,985	2,014,889	307,074	21,313
Long-term debt:				
Principal	259,393	250,752	242,300	229,016
Interest and other charges	93,752	139,951	62,138	51,120
AEA flow-through	253,008	252,467	236,277	226,362
Total	\$ 7,351,956	\$ 8,554,672	\$ 6,471,033	\$ 6,098,253

See accompanying independent auditor's report.

Modified Accrual Basis			
2007	2006	2005	2004
\$ 1,860,460	\$ 1,783,127	\$ 1,630,556	\$ 1,585,891
85,582	98,971	140,600	142,490
700,245	643,009	510,984	608,632
-	-	-	-
3,144,829	2,908,432	2,726,816	2,505,501
564,698	739,724	408,382	689,604
\$ 6,355,814	\$ 6,173,263	\$ 5,417,338	\$ 5,532,118
\$ 2,086,176	\$ 1,971,723	\$ 1,975,912	\$ 2,042,077
515,919	499,879	554,142	802,373
890,610	803,014	795,634	505,707
218,324	166,615	127,274	119,340
124,230	224,379	101,620	76,982
775,557	653,175	540,534	471,885
550,541	527,793	466,425	659,882
150,505	180,352	145,485	162,122
40,753	16,260	-	10,734
940	996	1,174	-
326,711	509,799	13,245	2,048,687
239,655	317,432	263,038	277,749
60,580	64,976	75,497	71,780
211,275	197,612	191,485	192,936
\$ 6,191,776	\$ 6,134,005	\$ 5,251,465	\$ 7,442,254

Postville Community School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Grantor/Program	CFDA Number	Grant Number	Expenditures	
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
School Nutrition Cluster Programs:				
School Breakfast Program	10.553	FY11	\$ 48,586	
National School Lunch Program	10.555	FY11	208,863	*
Summer Food Service Program	10.559	FY11	13,550	
Team Nutrition Grant	10.574	FY11	500	
Fresh Fruit and Vegetables	10.582	FY11	9,904	
			<u>\$ 281,403</u>	
U.S. Department of Education:				
Iowa Department of Education:				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	84.010	FY11	\$ 307,875	
Title I Grants Migrant Education	84.011	FY11	107,100	
ARRA – Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	106,739	
			<u>\$ 521,714</u>	
Career and Technical Education – Basic Grants to State	84.048	FY11	<u>\$ 898</u>	
Safe and Drug-Free Schools and Communities – State Grant - indirect				
Allamakee	84.184	FY11	\$ 53,639	
Safe and Drug-Free Schools and Communities – State Grants	84.186	FY11	<u>\$ 250</u>	
Tech-Prep Education (Title II)	84.243	FY11	<u>\$ 1,009</u>	
Title II D E2T2	84.318	FY11	<u>\$ 1,598</u>	
Rural Education Achievement Program	84.358	FY11	<u>\$ 20,692</u>	
Title III English Language Acquisition Grant	84.365	FY11	<u>\$ 12,872</u>	
Improving Teacher Quality State Grants	84.367	FY11	<u>\$ 33,821</u>	
Title VI Assessments	84.369	FY11	<u>\$ 3,392</u>	
ARRA – State Fiscal Stabilization Fund (SFSF) – Education State				
Grants, Recovery Act	84.394	FY11	<u>\$ 31,037</u>	
ARRA – State Fiscal Stabilization Fund (SFSF) – Government Service,				
Recovery Act	84.397	FY11	<u>\$ 27,683</u>	
Education Jobs Funds	84.410	FY11	<u>\$ 117,932</u>	
Keystone Area Education Agency:				
Special Education – Grants to States	84.027	FY11	\$ 34,207	**
Special Education – State Program Improvement Grant	84.323	FY11	<u>\$ 300</u>	
ARRA – Special Education Grants to States, Recovery Act	84.391	FY11	<u>\$ 39,002</u>	**
Total			<u>\$ 1,181,449</u>	

*- Includes \$22,925 of non-cash awards.

** - Total for CFDA Number 84.391 is \$39,002 and total for Special Education Cluster (IDEA) is \$73,509.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Postville Community School District and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
Postville Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Postville Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 1, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Postville Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Postville Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Postville Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings as item II -C-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Postville Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Postville Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Postville Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Postville Community School District and other parties to whom Postville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Postville Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

February 1, 2012

**Independent Auditor's Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

**Independent Auditor's Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Board of Education of
Postville Community School District

Compliance

I have audited the compliance of Postville Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Postville Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of law, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Postville Community School District's management. My responsibility is to express an opinion on Postville Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Postville Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Postville Community School District's compliance with those requirements.

In my opinion, Postville Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

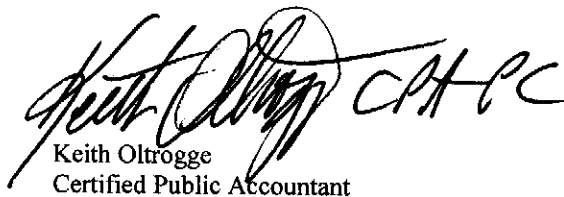
The management of Postville Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered Postville Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Postville Community School District's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified deficiencies in internal control over compliance that I consider to be material weaknesses.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control over compliance in the accompanying Schedule of Findings as items III-A-11 and III-B-11 to be material weaknesses.

Postville Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. While I expressed my conclusions on the District's responses, I did not audit Postville Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Postville Community School District and other parties to whom Postville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



Keith Oltrogge
Certified Public Accountant

February 1, 2012

Postville Community School District

Schedule of Findings

Year Ended June 30, 2011

Part I – Summary of the Independent Auditor’s Results:

- a) Unqualified opinions were issued on the financial statements.
- b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) Material weaknesses in internal control over major programs were disclosed by the audit of the financial statements
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no audit finding which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510 (a).
- g) Major programs were as follows:
 - CFDA Number 84.410 – Education Jobs Funds.
 - Clustered programs:
 - CFDA Number 84.010 – Title I Grants to Local Education Agencies
 - CFDA Number 84.011 – Title I Grants – Migrant Education
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Education Agencies, Recovery Act
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Postville Community School District did not qualify as a low-risk auditee.

Postville Community School District

Schedule of Findings

Year Ended June 30, 2011

Part II – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES:

II-A-11 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion – Response accepted.

II-B-11 Check-Signing Machine – I noted that a check-signing machine was used to sign checks. I also noted that the person who wrote the checks, journalized transactions and reconciled the bank accounts had access to the check-signing machine.

Recommendation – The District should establish procedures to control access to the check-signing machine, such as having another person control the key to the machine and establishing a log of the numbers of the checks signed that reconciles to a counter on the machine.

Response – We will review our procedures controlling access to the check-signing machine.

Conclusion – Response accepted.

SIGNIFICANT DEFICIENCIES:

II-C-11 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Postville Community School District

Schedule of Findings

Year Ended June 30, 2011

Part III – Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES:

CFDA Number 84.410: Education Jobs Funds

Federal Award Year: 2011

U.S. Department of Education

Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies

CFDA Number 84.011: Title I Grant – Migrant Education

CFDA Number 84.389: ARRA – Title I Grants to Local Education Agencies, Recovery Act

Federal Award Year: 2011

U.S. Department of Education

Passed through the Iowa Department of Education

III-A-11 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion – Response accepted.

III-B-11 Check-Signing Machine – I noted that a check-signing machine was used to sign checks. I also noted that the person who wrote the checks, journalized transactions and reconciled the bank accounts had access to the check-signing machine.

Recommendation – The District should establish procedures to control access to the check-signing machine, such as having another person control the key to the machine and establishing a log of the numbers of the checks signed that reconciles to a counter on the machine.

Response and Corrective Action Planned – We will review our procedures controlling access to the check-signing machine.

Conclusion – Response accepted.

Postville Community School District

Schedule of Findings

Year Ended June 30, 2011

Part IV - Other Findings Related to Statutory Reporting:

IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 exceeded the certified budget amounts in the other expenditures function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed budget.

Response -- Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion -- Response accepted.

IV-B-11 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-F-11 Board Minutes – The minutes record was examined and appeared to give a condensed account of business transactions by the Board. No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-11 Supplementary Weighting – Supplementary weighting certified to the Iowa Department of Education was overstated by 0.22% due to inclusion of a student who exceeded ELL Funding prior to FY10.

Recommendation – A letter must be sent to the Department of Management to report this discrepancy.

Response – This has been done.

Conclusion – Response accepted.

IV-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-11 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.

Postville Community School District

Schedule of Findings

Year Ended June 30, 2011

Part IV - Other Findings Related to Statutory Reporting (continued):

IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423A.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	376,692
Revenues/transfers in:			
Sales tax revenue	\$	436,316	
Other local revenues		2,186	
School infrastructure supplemental amount		-	438,502
		\$	815,194
Expenditures/transfer out:			
School infrastructure construction	\$	64,287	
Equipment		78,700	
Transfers to other funds:			
Debt service fund		276,301	419,288
Ending balance		\$	395,906

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.3953	\$ 436,316
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-